2015 Tax Update

Affordable Care Act
All Americans will be affected in some manner by the Affordable Care Act from 2010. If you received a Form 1095 from any issuer or agency, we **MUST** have all copies to prepare your tax return. If you did not receive a 1095, we must ask you a number of additional questions about insurance coverage so that we can help you avoid any penalties for failure to have health insurance. Due to the changes and the new tax preparation requirements, there may be additional time and charges to complete your return.

The penalty for not having health insurance will increase in 2015. If you want to avoid increased fines in the future (potentially over $1,200 for a family of four), be sure to sign up for coverage in 2016.

Health Care Expenses
The limit on deductions for medical costs, including health insurance must be more than 10% (7.5% if 65 or over) of your income before it is deductible, so weigh carefully whether to go to the trouble of summarizing these costs. If you are self-employed, we still need to know how much you paid for health insurance because it may still be deductible.

Charity
ALL deductions of any amount must have some form of a receipt. Any individual contribution over $250 in cash must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over $250 and should also state that no goods or services were received in return for the contribution.

Foreign Accounts
If you have read any news in the last year, you know that the IRS is looking closely for offshore accounts. If you have an account, retirement account, or business interest in a foreign country, or a foreign business ownership (not through a mutual fund), please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Mortgage Interest
We must obtain Form 1098 from you when you pay mortgage interest. Additionally we must obtain refinancing closing statements, and if you drew money out on a home mortgage or refinancing we must have general information on the use of the money according to the IRS.

Rental Property
If you own rental property, this year the IRS has demanded substantially more information. We now need, *FOR EACH PROPERTY SEPARATELY*, the physical location, the type of property (single-family, duplex, etc), and Forms 1099-K received, and a record, by property, of the number of days rented and the number of days used for personal purposes. We have provided a spreadsheet template (located on our website here) that you can use provide the information.

Gift Changes
Effective 1/1/2013, the amount you may give to one person in one year without any return filing requirements was increased to $14,000. Very, very few Americans need to worry about Federal estate taxes because of changes in the estate tax limit at the Federal level. However, if you gift over $14,000 to any individual, we will need to file additional forms.

IRA Rollover Limits

As of Jan. 1, 2015 you can only make one rollover from an IRA to another IRA in a 12-month period. A rollover is described as withdrawing the funds from one IRA, holding them for less than 60 days and then depositing them into another IRA account.

Taxpayers can still make as many trustee-to-trustee transfers as they like over the course of a year. (That means you can tell Bank "A" to send your IRA funds to Bank "B" — the money is never actually withdrawn and in your possession.) If you roll over more than one IRA, the withdrawals after the first will be taxed to you at regular rates, plus potentially a 10 percent early withdrawal tax. In addition, the disallowed rollover will be subject to the regular IRA contribution limits.

Flexible Spending Accounts

Health Flexible Spending Accounts (FSAs) are traditionally use-it-or-lose-it plans. You can save pre-tax dollars to pay for health care expenses, but they must be used within a plan year. You are allowed to roll over $500 from an FSA into the next plan year. But if you had an FSA in 2015 and carried over $500 into 2016, you will be ineligible to participate in a Health Savings Account (HSA) in 2016. This only applies to general purpose FSAs, not ones for specific uses like dependent care or dental expenses.

Colorado Consumer Use Tax

Consumer use tax is a complement to state sales tax. Consumer use tax is payable to the state when sales tax is due but has not been collected. For example, items purchased from Amazon, E-Bay, or any other online retailer that did not charge you tax may be subject to the 2.9% use tax. Beginning with 2015 tax returns, Colorado has begun including the collection of the state use tax on income tax returns. We have included a line in our client checklist for you to list the total dollar amount that should be subject to Colorado use tax.

Future Income Tax Rates & Other

We highly recommend that when you are getting your information to us for your 2015 Federal tax return, that you set an appointment for an after tax season "Tax Tune Up" to examine tax and estate planning strategies.

Please don't hesitate to contact us and set up an appointment to discuss how the above or other items may affect your 2015 or 2016 tax returns.

Sincerely,

Two Hills Accounting & Consulting, P.C.

303-223-2575
info@twohillsaccounting.com